

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the Chair” in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for pari-mutuel wagering are adequate to ensure pari-mutuel wagering revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by “Revenue.” Steps to determine whether assets were protected will be followed by “Asset Protection.”
- 2) The minimum standards quoted on this checklist are from Version 9 of the standards.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the “Exception/Comment” column.
- 4) Procedures for wagering accounts are addressed in both the Pari-Mutuel and Cage and Credit Internal Audit Compliance Checklists and should be modified and performed, as applicable.
- 5) For licensees utilizing wagering accounts, procedures to be performed for reserve requirements are addressed in the Cage and Credit Internal Audit Compliance Walkthrough Checklist. Modify procedures as necessary.

Scope:

Unless otherwise indicated, select 1 day per year. **Indicate Test Date:** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the pari-mutuel wagering walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the “Walkthrough Procedures Checklist”.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

Note: This checklist addresses pari-mutuel race wagering. For those auditing pari-mutuel sports wagering, design testing procedures to determine compliance with **Regulation 26B**.

✓ - Step completed without exception

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.		
2. For one writer (teller), foot ticket sales on the Transaction Report. Do not include tickets canceled transactions (i.e., voids) in the ticket sold computation. (Revenue)		
3. For the same writer selected above, foot the tickets canceled transactions on the Transaction Report to determine total canceled sales. (Revenue)		
4. Trace tickets sold and tickets canceled to the Teller Detail Report. (Revenue)		
5. Foot the following and trace to the Session Sales Summary:		
a. Tickets sold and tickets canceled columns on the Teller Detail Report. (Revenue)		
b. Tickets refunded on the Refund Tickets Report. (Revenue) Note: The Refund Tickets Report will include tickets written on a previous day which will not be included in the current day's Session Sales Summary.		
6. For one track per test day, foot the Session Sales Summary tickets sold, canceled and refunded and trace net sales to the Reconciliation Report. (Revenue)		
7. For one performance of a meet at one track, recompute the commission for three races within the selected performance as follows:		
a. Obtain the rounding direction for that particular meet and performance from the system operator. (Revenue)		
b. Apply the appropriate percentage, by race and pool (win, place, show, etc. or exotic wagers), to the applicable net sales figure on the Session Sales Summary. (Revenue)		

✓ - Step completed without exception

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
c. Total the individual commission amounts for the race and compare to the commission totals on the Reconciliation Report. (Revenue)		
8. For each performance selected in the previous step, foot all columns and compare to the totals by track on the Reconciliation Report and then foot all track performance totals and compare to the All Meets totals. (Revenue)		
9. For one track, trace the net sales, commissions and breakage amounts from the Daily Reconciliation Report to the month-end Reconciliation Report. (Revenue)		
10. Foot each meet's totals in the month-end Reconciliation Report and agree to the All Meets totals. (Revenue)		
11. For the test date selected, trace the net sales, commissions and breakage amounts from the month-end Reconciliation Report to the Gross Revenue Recap Report. (Revenue)		
12. Trace the monthly commission and breakage amounts from the Gross Revenue Recap Report to the general ledger. (Revenue)		
13. Trace the net sales figure on the Reconciliation Report to the system operator's weekly Track Fee Report. (Revenue)		
14. Recompute the system operator's weekly Track Fee Report for accuracy. (Revenue)		
15. Trace the total weekly track fees to the Track Fee Report, Gross Revenue Recap Report and general ledger. (Revenue) Note: The track fee report referred to in this procedure is addressed in Pari-Mutuel MICS #30.		
16. Review the licensee's procedures regarding any unpaid winning tickets/vouchers purged from the system operator. Reconcile these amounts to the Gross Revenue Recap Report. (Revenue)		

✓ - Step completed without exception

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
17. Foot and cross foot the Gross Revenue Recap Report to ensure month-to-date gross revenue is properly calculated and reported as follows: total commission on wagers, plus positive breakage, plus track fee refunds, plus purged tickets, plus uncashed vouchers over 60 days old, less negative breakage, less weekly track fees and additional track fee payments. (Revenue) Note: The authoritative basis for pari-mutuel revenue is stated in Regulations 26A.020(6) and NRS 464.005(1) .		
18. For the month in the previous procedure, trace the month-to-date gross revenue amount per the Gross Revenue Recap Report to the monthly NGC tax return. (Revenue)		
19. For the month in which cross-gaming area transactions occurred verify that revenue was properly reported for both gaming areas. (Revenue)		
20. For the month in which cross-property transactions occurred, verify that revenue was properly reported for applicable gaming areas. (Revenue)		
21. Trace the total deposit or funds owed per the Reconciliation Report to the licensee's bank statement. (Asset Protection)		
22. Trace teller (writer/cashier) cash turn-in to the Teller Balance Report and ensure that two employees signed the cash turn-in. (Asset Protection/MICS #17b)		
23. Review the Exception History Report for propriety of transactions and unusual entries. (Asset Protection)		
24. Review the Gross Revenue Recap Report and any other support to the NGC tax reports to ensure that promotional allowances have no impact on reported revenue. (Revenue) NRS 464.045(3)		
25. For the monthly NGC tax return reviewed in the previous step, use the appropriate supporting documentation, including those documents used for wagering accounts, to verify other components of pari-mutuel on the NGC tax return (excluding no. of units). (Revenue)		

✓ - Step completed without exception

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
26. Foot the winning tickets and trace the total to the Transaction Report and the Teller Detail Report. (Revenue)		
27. For the test day, select 10 winning tickets and perform the following:		
a. Match the customer copy of the ticket to the Transaction Report. (Asset Protection)		
b. Recalculate and verify proper payout. (Asset Protection)		
c. Trace the ticket and payout amount to the Cashed Ticket Report. (Asset Protection)		
d. Trace the winner of the event to the Race Prices Report. (Asset Protection)		
e. Examine the ticket to determine whether it is branded with a paid designation and the amount of the payment and date, or whether the writer/cashier wrote or stamped the date and a paid designation on the ticket. MICS #10		
f. Trace the winner to an independent source (a race wire recap provided by a licensed disseminator may be used) to verify the winner and pay amount. (Asset Protection) Source used: _____		
g. Trace the computer generated date and time on the ticket to the independent source (a race wire recap provided by a licensed disseminator may be used) to determine if past-posting occurred. (Asset Protection) Source used: _____		
28. Select a sample of 5 canceled (void) tickets and perform the following:		
a. Trace the ticket to the Void Exception Report. (Asset Protection)		

✓ - Step completed without exception

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
b. Verify that the ticket was not voided after the start of the event. (Asset Protection)		
c. Examine the ticket to ensure that it has a void designation, either branded by the computer or written/stamped on the ticket, and that it is signed by a writer/cashier and a supervisor. MICS #6a & b		
d. For not-in-computer voids, ensure that no adjustment was made to revenue. MICS #6c		
29. For one performance of a meet at one track, foot the Cashed Ticket Report for the current day's pays and previous winners' pays (outs) for the current day and trace to the Daily Recap Report. (Revenue)		
30. For the test day selected, trace the total of the Purged Detail Ticket Report to the Daily Recap Report to verify that purged tickets are included in revenue. (Revenue)		
31. For the test day selected, trace the total of the Purged Detail Voucher Report to the Daily Recap Report to verify that purged vouchers are included in revenue. (Revenue)		
32. Foot the previous day's Future Back-In Ticket Detail Report and trace the total to the "Total Sales From Prev. Ses." column on the Session Sales Summary. (Revenue) Note: Future wagers are usually accepted only for the following races: the Kentucky Derby (run in early May), the Preakness (run in late May), the Belmont Stakes (run in June) and the Breeder's Cup (run in November). The futures report will only contain revenue just prior to the above races being run.		
33. Review the Futures Ticket Detail Report for proper accounting and tax reporting of future wagers. (Revenue)		
34. Review Unpaid Reports for proper accounting and tax reporting. (Revenue)		

✓ - Step completed without exception

Auditor's Name and Date

Internal Audit Compliance Checklist

**PARI-MUTUEL
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step Completed Without Exception	Exception/Comment
35. For the month in which a test day was selected, review supporting documentation for the month and determine that appeasement payouts do not have an effect on reported revenue. (Revenue) Note: If no appeasement payouts were completed in the month selected, then choose another month in which appeasement payouts were made.		
<u>Procedures Modified or Added</u>		

✓ - Step completed without exception